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Specific measures concerning the market in ethyl alcohol

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Report Highlights:

Council Regulation 670/2003 lays down specific measures concerning the market in ethyl alcohol of agricultural origin. Starting January 1, 2004, an import license will be required for the import of ethyl alcohol into the EU.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
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[E2]

Specific measures concerning the market in ethyl alcohol

In April 2003, the Council adopted Regulation 670/2003 laying down specific measures concerning the market in ethyl alcohol of agricultural origin. This "lightweight" common market organization (negligible financial implications because the regulation does not include intervention measures) is a regulatory framework incorporating the following elements: definitions, improved statistical information aimed at increased market transparency, a regime for import and export licenses to monitor trade flows, the creation of a forum for policy proposals, rules on state aid and a safeguard clause. The regulation enters into force on January 1, 2004. Detailed rules for the implementation of regulation 670/2003 will be published before January 2004.

The new measures cover the following products:

- un-denatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher, obtained from agricultural products (CN code 2207 10 00)
- ethyl alcohol and other spirits, denatured, of any strength, obtained from agricultural products (CN code 2207 20 00)
- un-denatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol., obtained from agricultural products (CN code 2208 90 91 & 99)
- products based on ethyl alcohol of agricultural origin falling within CN code 2208 put up in containers of more than 2 liters and presenting all the characteristics of ethyl alcohol as described above

To address member states' concerns about the increase in duty-free imports, the regulation introduces an import license regime intended to better monitor trade flows. Starting January 1, 2004, an import license will be required for the import of ethyl alcohol. There will be no restrictions on the level of imports and importers will be automatically granted licenses. However, the new regulation provides for a safeguard clause in the event of serious market disturbance.

Regulation 670/2003 can be downloaded from the Internet at http://europa.eu.int/eur-lex/pri/en/oj/dat/2003/l_097/l_09720030415en00060010.pdf.

Background

The EU market in alcohol is in surplus. The EU produces around 20 million hectoliters annually of which 13 million hectoliters is of agricultural origin. EU demand for alcohol is estimated at around 17 million hectoliters and declining. The production of agricultural alcohol is an important outlet for EU raw materials such as cereals, sugar beet, molasses, potatoes, fruit and wine. The main processing industries using ethyl alcohol are spirit drinks, chemicals, pharmaceuticals and cosmetics. The spirit drinks industry may only use alcohol of agricultural origin while other industries may use either type. Fuel from alcohol is a growing sector.

Member states claim that the alcohol sector is being confronted with increased competition due to:

- increased imports from third countries since the 30% reduction in tariffs as a result of the implementation of the Uruguay Round Agreements
- greater quantities are imported as blends of alcohol with denaturants at lower tariffs. Once imported, the alcohol may be extracted and used for traditional purposes.
- a zero tariff for alcohol diluted with water under the tariff heading for vodka in bulk. The water can be extracted from the imported product and so avoid the tariffs applicable to alcohol.

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